

## Message Text

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ORIGIN ARA-10

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SP-02 CIAE-00 INR-07 NSAE-00 /047 R

DRAFTED BY LA/DR: DDAY/HBASSFORD:KWL

APPROVED BY AA/LA: ECOY

LA/DP:JSCHLÖTTHAUER (DRAFT)

LA/CEN:TMEHEN (DRAFT)

LA/OPNS:CUYEHARA (DRAFT)

PPC/DPRE:PMATHESON (DRAFT)

PPC/PDA:LPEREZ (DRAFT)

LA/DR:CBREITENBACH (DRAFT)

LA/DR:H:JSANBRAILO

LA/DR:MBROWN/CWEINBERG

-----071620Z 074552 /41

R 061153Z MAY 77

FM SECSTATE WASHDC

TO AMEMBASSY GUATEMALA

UNCLAS STATE 103452

GUATEMALA FOR ROCAP

E.O. 11652: N/A

TAGS:

SUBJECT: ROCAP DAEC REVIEW - REGIONAL AGRICULTURAL TRADE  
PRP SUPPLEMENT

THE PRP SUPPLEMENT WAS REVIEWED BY THE DAEC ON APRIL 21, 1977, AND APPROVAL WAS GIVEN FOR ROCAP TO PROCEED WITH THE PREPARATION OF THE PROJECT PAPER. PRINCIPAL OBSERVATIONS OF AND DECISIONS TAKEN BY THE DAEC ARE OUTLINED BELOW.

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1. TRADE POTENTIAL. ON THE BASIS OF ROCAP'S ASSESSMENT OF CENTRAL AMERICA'S COMPARATIVE ADVANTAGE IN SELECTED AGRICULTURAL PRODUCTS, CORRESPONDING OPPORTUNITIES IDENTIFIED FOR SPECIALIZATION AND IMPORT SUBSTITUTION, AND PROJECTIONS OF INCREASED INTERNAL DEMAND FOR AGRICULTURAL COMMODITIES WITHIN THE REGION, THE DAEC HAS AGREED THAT SIGNIFICANT POTENTIAL EXISTS FOR AN EXPANSION OF INTRA-

REGIONAL AGRICULTURAL TRADE.

2. GOVERNMENT COMMITMENT. THE DAEC FELT THAT IT WAS  
ESSENTIAL TO SECURE FIRM COMMITMENTS FROM CENTRAL AMERICAN  
GOVERNMENTS TO MODIFY NATIONAL SELF-SUFFICIENCY POLICIES  
AND TO WORK TOWARD EXPANSION OF INTRA-REGIONAL TRADE.  
SUBMISSION OF PP AND AID/W APPROVAL WILL THEREFORE

BE CONTINGENT ON OBTAINING FIRM AND SATISFACTORY COMMIT-  
MENTS FROM MEMBER CACM COUNTRIES IN THE FOUR AREAS  
OUTLINED IN THE SUPPLEMENT. THE DAEC IS PARTICULARLY  
INTERESTED IN OBTAINING MEANINGFUL COMMITMENTS FROM  
CACM COUNTRIES TO REDUCE INTRA-REGIONAL TRADE BARRIERS  
WHICH ARE ESSENTIAL FOR INCREASED AGRICULTURAL TRADE.  
ASSUMING AGREEMENT CAN BE REACHED BY THE CACM ON THESE  
COMMITMENTS, THE PP SHOULD INDICATE HOW THESE COMMITMENTS  
WILL BE MEASURED, WHAT THE MISSION RECOMMENDS AS THE MINI-  
MUM MIX OF COMMITMENTS ACCEPTABLE TO AID, AND WHAT  
APPROPRIATE ACTIONS ARE ENVISIONED IN THE EVENT OF A  
PARTIAL DEFAULT ON COMMITMENTS BY A CENTRAL AMERICAN  
COUNTRY.

3. IMPACT OF PROJECT ON EXPANDING INTRA-REGIONAL TRADE.

WHILE RECOGNIZING THAT THE PROPOSED LOAN WILL NOT  
PROVIDE SUFFICIENT INCENTIVES TO CENTRAL AMERICAN  
GOVERNMENTS TO INCREASE INTRA-REGIONAL TRADE, THE DAEC  
AGREED THAT IT COULD PLAY A SUPPORTIVE ROLE IN  
FACILITATING TRADE IN THE EVENT COMMITMENTS ARE MADE  
TO REDUCE CURRENT TRADE BARRIERS. IN ORDER TO ESTIMATE  
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THE IMPORTANCE OF THIS ROLE, THE PP SHOULD EXAMINE THE  
DEGREE TO WHICH MARKETING CONSTRAINTS ARE A MAJOR FACTOR  
LIMITING INTRA-REGIONAL TRADE IN BOTH TRADITIONAL AND  
NON-TRADITIONAL AGRICULTURAL COMMODITIES. WITHIN THIS  
CONTEXT, THE PP SHOULD ALSO REVIEW PRODUCTION (SUPPLY)  
CAPABILITY TO DETERMINE THE EXTENT IT MIGHT ALSO BE A  
CONSTRAINT TO EXPANDING REGIONAL TRADE IN CACM MEMBER  
COUNTRIES.

4. AID/W WOULD APPRECIATE ROCAP CONTINUING ITS EXCELLENT  
REPORTING MESSAGES ON PROGRESS OF ECLA INITIATIVE,  
HONDURAN-SALVADOREAN TALKS, ETC. CHRISTOPHER

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## Message Attributes

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**Subject:** ROCAP DAEC REVIEW - REGIONAL AGRICULTURAL TRADE PRP SUPPLEMENT THE PRP SUPPLEMENT WAS REVIEWED BY THE DAEC ON APR  
**TAGS:** EAGR, ETRD, GT, XK  
**To:** GUATEMALA  
**Type:** TE  
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**Review Markings:**  
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